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China's US Policy, 1983-90

National Intelligence Council
Memorandum

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Key Judgments

In distancing themselves somewhat from the United States, reopening talks with the Soviet Union, and reviving emphasis on the Third World, the Chinese in 1981-82 reverted in fundamental respects to the position they had held before the postnormalization US-Chinese euphoria of 1979-80.

Chinese rhetoric about the United States changed much more than the substance of US-Chinese relations. Movement toward an arms supply relationship between the two countries halted abruptly in the summer of 1981, and the dispute over US arms sales to Taiwan required protracted and difficult negotiations in order to reach a compromise in August 1982. Other bilateral relationships, however, continued to grow, particularly those important to the Chinese goal of modernization, such as trade, scientific and technical cooperation, and scholarly exchange.

The causes of the foreign policy change included:

- A growing feeling that China needed a more independent foreign policy, less closely aligned with the leading capitalist power.
- Disenchantment with the US connection over the Taiwan issue, the failure to obtain larger amounts of high technology, and an apparent US tendency to take China for granted.
- Conservative opposition to corrupting influences from the West, particularly from the United States.
- A desire to test Soviet willingness to ease tensions, with the expectation that opening talks would raise Moscow's hopes and Washington's anxieties, thus giving Beijing increased influence on both.
- Deng Xiaoping's vulnerability as chief sponsor of the US connection and his need for domestic support for his reform program and personnel changes, for making a compromise on the Taiwan issue, and for preserving the substance of relations with the United States important to modernization.

If Deng remains healthy and vigorous during the coming two years, he probably will succeed in maintaining himself in power and strengthening the position of his associates. A Dengist regime would be more favorable to

US interests than conceivable alternatives, because of Deng's identification with the US connection and his evident desire to preserve those elements of it important to China's modernization. Modest improvements in Sino-Soviet relations are likely, but a change in the Chinese perception of the Soviet Union as the main threat to China is improbable. Deep-seated suspicion of US long-run intentions toward Taiwan will persist and the Chinese will watch closely the level of US arms sales to Taiwan, but a Dengist regime is unlikely to press for additional US concessions on Taiwan within the next two years.

In the period through 1990, the Chinese will continue to carve out an independent role for China. The Sino-Soviet relationship may have mellowed some, but China's geopolitical situation will almost certainly cause the Chinese to continue to regard the Soviets as the principal threat to their security. The gap in military capability between China and the superpowers will probably be wider than it is today. Under such circumstances, Chinese leaders will continue to value the putative strategic relationship with the United States, but will wish to avoid the fact or appearance of being too dependent on the United States.

If Deng survives beyond the middle of the decade, he should be able to establish his group firmly in control and by the end of the decade either Hu Yaobang or Zhao Ziyang will probably have emerged as the principal leader. Under Dengist leadership bilateral relations with the United States probably will expand substantially but unevenly. Expansion of relations will be hampered, however, by the built-in constraints that severely impede the Chinese leaders' efforts to instill the efficiency and dynamism needed to modernize a nation of 1 billion people. Should the Dengists be replaced by more ideological and inward-looking leaders, the expansion of US-Chinese relations would be much slower.

The odds are high that the Chinese will bring pressure on the United States again before 1990 to end arms sales to Taiwan completely or at least get agreement to a date when they can be certain they will end. The importance to China of the US relationship may constrain the Chinese from pressing the issue to the point where they are forced to downgrade relations, but it would be unwise to assume that result, given the emotional content of the issue and its weight as a weapon in domestic politics. A crisis over Taiwan could be precipitated by a succession struggle on the island in which large numbers of Taiwanese demanded independence, an unlikely but possible development. Direct negotiations between Taipei and Beijing are unlikely during this period, but there will probably be an increase in trade and other forms of intercourse between the two that holds open the possibility of eventual unification and diminishes the risk that Beijing will shift from conciliatory to coercive policies toward the island.

China's US Policy, 1983-90

Background

Chinese policy toward the United States during the past 12 years went through three distinct phases: first, the prenormalization phase, 1971-78; second, the postnormalization euphoria, 1979-80; and, third, the reversion to a less euphoric view of US-Chinese relations, 1981-82. In each phase Chinese policy toward the United States was significantly affected by major international developments and by domestic political struggles. Common concern with Soviet expansionism undergirded the relationship, while differences over Taiwan—in 1982 still only partially resolved—periodically strained it.

Prenormalization, 1971-78. The opening to the United States in 1971, engineered by Mao Zedong and Zhou Enlai, was a crucial step in China's reentry into the world community after a period of withdrawal marked by extreme Sinocentrism, xenophobia, and ideological posturing. China's entry into the United Nations and its establishment of diplomatic relations with Japan and many other countries greatly expanded the scope for China to be active on the world scene. Its policies became increasingly sophisticated and its diplomats increasingly skillful.

The Soviet Threat. China's primary motivation in opening relations with the United States was to counter the Soviet threat after the Soviet occupation of Czechoslovakia and the clash with the Chinese on the Ussuri River, although the sense of Soviet forces as an imminent *military* threat soon declined; by 1973 Chinese leaders referred to the Soviets as "feinting to the East in order to attack in the West."

> The two superpowers are the biggest international exploiters and oppressors of today. They are the source of a new world war. They both possess large numbers of nuclear weapons. They carry on a keenly contested arms race, station massive forces abroad and set up military bases everywhere, threatening the independence and security of all nations. . . . In bullying others the superpower which flaunts the label of socialism is especially vicious.
>
> Deng Xiaoping speech to UN General Assembly, 10 April 1974

The "Three Worlds" Thesis. In a 1974 speech at the United Nations, Deng Xiaoping put forward Mao's "three worlds" thesis, categorizing the two superpowers as the "first world," the developed nations as the "second world," and all other countries, including China, as the "third world." According to this thesis, the two superpowers were "contending and colluding" and their contention (permanent, not transitory like collusion) was the main threat to peace. The Chinese characterized the Soviet Union as the more dangerous of the superpowers, being on the offensive, while the United States was on the defensive. They criticized the United States as insufficiently aware of the Soviet threat and too weak in dealing with it. They were particularly critical of the policy of detente and arms control negotiations between the superpowers. They spoke approvingly of NATO and the US-Japanese security treaty and stressed the importance of common opposition to Soviet expansionism.

Political Turbulence. Domestic politics were turbulent during this period. Just two months after Henry Kissinger had visited Beijing in July 1971 to arrange the opening of US-Chinese relations, a fierce political struggle ended with the death of Lin Biao, Mao's chosen successor, accused of having tried to usurp power. Had Mao and Zhou been unable to overcome Lin and his military supporters, the opening to the United States probably would not have occurred. A seesaw struggle ensued between a group headed by Zhou Enlai and Deng Xiaoping, representing rehabilitated party leaders disgraced during the Cultural Revolution, and the Gang of Four, representing those who had risen to power over the prostrate bodies of the disgraced. This struggle was not resolved until after the death of Mao and the fall of the Gang of Four in the autumn of 1976. Deng emerged in 1977 as the most powerful political figure, but was still far from having fully consolidated his position when normalization was agreed upon in late 1978.

Deng's Role in Normalization. During the negotiations leading to normalization, Deng was engaged in a complicated political maneuver to oust Hua Guofeng and other adversaries and place his chosen successors in key positions. He used success in normalizing relations with the United States to increase his political influence, thereby committing his personal prestige to the US connection and leaving himself vulnerable to later criticism for not having resolved the question of US arms sales to Taiwan at the time of normalization. Deng's ascendancy enabled him to win support for the normalization agreement and place his personal mark on the subsequent rapid development of US-Chinese relations, but opposition to too close an embrace of the United States had by no means disappeared.

Taiwan Tactics. This period began and ended with compromises on the Taiwan issue, spelled out in the Shanghai communique in February 1972 and the communique on normalization of relations in December 1978. Each time, the Chinese made clear that the compromise was only a step en route to their ultimate goal of unification of Taiwan with the mainland and served notice that further concessions would be demanded of the United States on the issue.

Postnormalization Euphoria, 1979-80. Normalization set off a wave of pro-Americanism in China, reciprocated by a "China fever" in the United States. Deng's highly acclaimed and publicized visit to the United States was followed by a stream of high-level visits back and forth. Relations of all kinds burgeoned: trade, scholarly exchanges, tourism. The two governments signed numerous agreements providing for cooperation in a wide variety of fields. For months after Chinese television viewers had raptly watched Deng's visit, favorable articles about the United States appeared in the Chinese media. Young people were particularly enthusiastic and the number wanting to go to the United States to study soared. Criticism was muted—for example, Chinese criticism of the Taiwan Relations Act and US criticism of the Chinese military "lesson" to Vietnam.

The rapid development of Sino-American relations during this periood was reinforced by heightened strategic concerns on the part of both countries arising from Soviet support of Vietnam's invasion of Kampuchea in December 1978 and the Soviet invasion of Afghanistan a year later. The Chinese media and Chinese officials in private conversations stressed the importance of a united front against Soviet "hegemonism" among China, the United States, Japan, Western Europe, and the Third World. Media and private reference to the "three worlds" thesis and the danger of war from contention between the "two hegemonists," the United States and the Soviet Union, disappeared. Defense Secretary Harold Brown visited Beijing, and Vice Premier Geng Biao, secretary general of the Chinese Communist Party's Military Affairs Commission, visited Washington. The United States agreed to consider sales of dual-use technology and some types of nonlethal military support equipment to Beijing.

It is said that there are close relations between China and the United States. It is not true. We know very well that the United States is still an imperialist country. . . . Currently it is in a defensive position: it wishes to keep what it gained. The USSR is on the offensive.

Li Xiannian, interview in *L'Unita*, 8 January 1982

China regards as very important the development of relations with the United States, not just in the fight against Soviet expansionism and hegemonism, but because the development of relations is important to world peace and stability.

Zhao Ziyang to Japanese Prime Minister Suzuki, September 1982

"Course Correction," 1981-82. Beginning in 1981 and becoming more pronounced during 1982, the Chinese foreign policy posture toward the United States and toward the world reverted in a number of respects to that which had prevailed during the mid-1970s. The reversion appeared in authoritative speeches, editorials and articles in the media, and private comments by senior leaders. The formulations varied over time and between individual spokesmen and were often more sophisticated in their analysis of world trends than in the mid-1970s. The principal elements of the revised foreign policy posture are discussed below.

Revival of Mao's "Three Worlds" Thesis. Although not prominently featured in the full 1974 form, this conceptualization was occasionally referred to as the basis for Chinese foreign policy, and the most important elements of the new posture were consistent with it.

Bracketing the United States With the Soviet Union as "the Two Hegemonists." Hu Yaobang's speech to the 12th Party Congress in September 1982 attacked the rivalry of the two superpower "hegemonists" as the main source of turmoil in the world. Zhao Ziyang in his toast to Margaret Thatcher lumped the United States and the Soviet Union together as the "superpower hegemonists." Most articles and statements on this subject painted the Soviet Union in darker colors than the United States, but some dropped the line that the Soviet Union was the greater danger. None revived the earlier view that the superpowers were "colluding" as well as "contending." In private conversations with US officials, Chinese officials have been defensive about the "two hegemonists" line and have stressed the danger of Soviet "hegemonism"—which, in their conversations with officials of nations friendly to the United States, they have also continued to emphasize the need to oppose.

Decline in Reference to Strategic Relationship With the United States. The trend toward a publicly acknowledged arms supply relationship with the United States that had been developing until the summer of 1981 abruptly halted when the Chinese suspected that the United States hoped to ease pressures on the issue of arms sales to Taiwan by providing arms to China. By the summer of 1982 they had stopped referring publicly to the strategic relationship with the United States, although they referred to it privately in conversations with countries friendly to the United States, often coupled with complaints about US policy on Taiwan and technology transfer.

Strong Criticism of US "Hegemonism" Toward Taiwan. From late 1980 on, Chinese concern over the Taiwan issue increased until it came to dominate US-Chinese relations during most of this period up to the joint communique of August 1982. The Chinese served notice that they will watch closely US performance in reducing arms sales to Taiwan, as provided in that agreement.

Continued Expansion of Bilateral Relations With the United States. The Chinese shift in posture toward the US role in the world and the US-Chinese strategic relationship has not affected the continued expansion of substantive bilateral relations. Those aspects of relationships with the United States important to the Chinese goal of modernization—such as trade, scientific and technical cooperation, and scholarly exchange—have continued to grow. By late 1982 some 10,000 Chinese were studying in the United States. Arrangements were proceeding for the involvement of US firms in large-scale offshore oil exploration, coalmining, and hydroelectric power projects. The Chinese recently purchased seven additional Boeing commercial aircraft. Deng and others have said that these

relations would continue, even if there were a retrogression in the overall US-Chinese relationship because of differences over Taiwan. With the expansion of relations, however, has come an increase in specific problems in these relations, with the Chinese complaining about US import controls, high-technology-export restrictions, and individual defection cases.

Renewed Interest in Improving Relations With the Soviet Union. Talks that were broken off after the Soviet invasion of Afghanistan were reopened amid signs that the Chinese hoped to gain some practical advantages from a lessening of tensions, increased trade, and cultural and scholarly exchanges. Publicly they called on the Soviets for "deeds not words" with respect to the major issues of troops on the Chinese border, Vietnam, and Afghanistan, and privately they deprecated the prospects for any significant movement on these issues.

Increased Emphasis on the Third World. Chinese analyses of world trends have described the Third World as the main arena of contention for the superpowers. The Chinese have increased their propaganda and diplomatic support for Third World causes, but not their economic aid to Third World countries. While criticizing US policy toward the Third World, their main concern has continued to be Soviet influence in the Third World, and they have followed policies parallel with those of the United States in opposing the Soviets in Afghanistan and Indochina.

Reasons for the 1981-82 "Course Correction." In large part the policy shift in 1981-82 seems to have been a rocking back to a position more comfortable to most Chinese leaders than the uncharacteristically close embrace of the world's leading capitalist power that prevailed in 1979-80. Sinocentrism and national pride demanded an independent foreign policy stance based on an evaluation of national interests that often diverged from those of the United States. Most Chinese regarded their dependence on the Soviet Union in the 1950s as having been humiliating and ultimately damaging to Chinese interests. From their viewpoint, overdependence on the United States would also be unwise. Third World countries were increasingly criticizing China for neglecting their interests by lining up with the United States.

Disenchantment With the American Connection. Pressures for a foreign policy position more in harmony with Chinese concepts of China's proper place in the world were augmented by irritation with the United States. Chinese leaders were stung by unofficial American comments that China needed the United States more than the United States needed China and that it had no place else to turn but to a strategic relationship with the United States. They did not want Americans to believe that they could take China for granted. Officials, including Deng himself, increasingly expressed disappointment with US-Chinese trade, especially the difficulty of obtaining high-technology items. Their disappointment seemed real, although doubtless exaggerated for effect in customary Chinese negotiating style.

The Taiwan Issue. While not the prime cause of China's foreign policy shift, the Taiwan issue contributed substantially to it by increasing open criticism of US policy and disenchantment with the American connection. The highlighting of the FX question toward the end of the Carter administration and pro-Taiwan statements by highly placed Americans probably triggered the Chinese decision that the dispute over arms sales to Taiwan, unresolved and defined in deliberately ambiguous terms at the time of the agreement on normalization, could no longer be left dangling. Once the arms sales issue had become highly visible, Taiwan could not be placed on the back burner again without significant US concessions.

"Bourgeois Influence." The opening to the West, and to the United States in particular, disturbed conservative leaders who felt that it brought into China corrosive influences that caused an increase in corruption, the spread of a "decadent" lifestyle among the youth, and a general decline in faith in Marxism and in the party. They demanded a campaign against "bourgeois liberalism" to combat these evils.

Deng's Problems. These developments placed Deng Xiaoping in a difficult position. As chief sponsor of the American connection, he was vulnerable to critics of that connection. He was engaged in a complex and

difficult set of political maneuvers to overcome opposition to his reform measures and place his supporters in key positions throughout the party and government. He also recognized the need to maintain the substance of the bilateral relations with the United States because of their importance to his modernization goals. He needed concessions from the United States on the Taiwan issue in order both to quiet his critics and to avoid jeopardizing substantive relations with the United States.

Testing the Soviets. As doubts about the American connection increased among the leaders, conditions ripened for an effort to ease tensions with the Soviet Union. The Soviets were harried by problems in Poland and Afghanistan, plagued with economic difficulties, and approaching a leadership succession. They probably seemed to the Chinese less threatening and more likely to make concessions than in the past. At the very least, responding to Soviet overtures would put some strain on Soviet-Vietnamese relations and show the Americans that China was not to be taken for granted. Moreover, recent US policy had displayed a thoroughgoing anti-Soviet attitude and little taste for detente. Talks between Moscow and Beijing were unlikely to make the United States less determined to oppose Soviet expansionism in places where such actions coincided with Chinese interests. The Chinese could afford to take US anti-Sovietism for granted. By raising Moscow's hopes and Washington's anxieties, Beijing could gain greater influence on both.

Deng's Victory. In the end Deng achieved much of what he wanted: he obtained some of the flexibility needed from the United States on Taiwan; he strengthened the positions of his supporters in the party and government, although he had to make compromises on policy and positions to do so; he turned aside the criticisms of the corrupting influences of the West by himself backing the campaign against "bourgeois liberalism"; and he averted damage to the bilateral relations with the United States important to modernization.

The foreign policy shift of 1981-82 is notable for the extent to which the rhetoric used about the United States has changed, while the substance of the relationship—with the exception of the suspended arms supply discussions—has been preserved. Some evidence exists that Deng may have made concessions on rhetoric to preserve the substance, but it is by no means certain that Deng is opposed to the repositioning of China in world affairs: in rhetoric, in opening talks with the Soviet Union, or in emphasis on the Third World. The shift could be viewed as a typical Dengist pragmatic response to trends in world affairs that gives China greater leverage on both the Soviet Union and the United States and places Deng in a better position to draw on the powerful force of Chinese nationalism to bolster his position and that of his chosen successors in the continuing domestic political maneuvering.

The Future—Two-Year Projection

Leadership. The prospects for stable development of US-Chinese relations in 1983 and 1984 would be best under the continued leadership of Deng Xiaoping, even though the lengthy negotiations and serious differences over Taiwan seem to have produced personal distrust on his part of the US Government. Nevertheless, his identification with the US connection and his evident desire to preserve those elements of it most important to China's modernization program provide some assurance that US-Chinese relations would fare reasonably well, provided he and his associates maintained or strengthened their ascendancy in the political system.

Pragmatic Policies. Dengist policies such as greater reliance on market forces and material incentives, the expansion of foreign trade, the encouragement of foreign investment, the invitation to US oil companies to develop Chinese offshore oil, the training of large numbers of scholars and students in the United States, and the carrying out of a wide variety of scientific and technological cooperation arrangements seem more likely to advance US-Chinese relations than policies that would be chosen by possible alternative leaders.

Deng's Prospects. If Deng remains healthy and vigorous over the next two years, he probably will succeed in maintaining himself in power and strengthening the positions of his associates. Deng's death during this period, however, would create great uncertainty and a probable power struggle, for Hu and Zhao would not by then be sufficiently entrenched to be unchallengeable. During such a power struggle, Chinese foreign policy would be less predictable and US-Chinese relations might become an issue in the struggle. In any case, the instability and uncertainty would hinder the smooth expansion of those relations.

Geopolitical Interests. Whether or not Deng and his associates remain in ascendancy, the Chinese perception that the Soviet Union is the main threat to China is unlikely to change. A dramatic rapprochement during this period is most improbable, because of the intractability of basic differences, but the Chinese have positioned themselves to gain greater leverage in the US-Chinese-Soviet triangular relationship by moderating their policy toward Moscow and distancing themselves somewhat from Washington. They will follow a two-track policy toward the Soviet Union and the United States, criticizing each harshly for policies with which the Chinese disagree, but promoting those bilateral relationships that promise to benefit China. Rhetorical inconsistencies will also occur, as illustrated by the conciliatory gestures made to Moscow on the 60th anniversary of the USSR, promptly followed by a strident denunciation of the Soviet occupation of Afghanistan. Barring any new aggressive action by the Soviet Union, the outlook is for modest improvement in the atmosphere between Beijing and Moscow and in bilateral interchange, far below the level prevailing in Chinese relations with the United States, Japan, and Western Europe. While not highlighting China's strategic interests in common with these countries in opposing Soviet expansionism as they did in 1979-80, the Chinese probably will continue selectively and privately to stress the importance of such strategic cooperation.

Military Modernization. Recent indications that the Chinese are placing increased emphasis on military modernization, such as the contract with the British to modernize Chinese destroyers and increased interest in French weapon systems, probably do not presage an early revived interest in obtaining US weapons. The Chinese will hold off while watching the trend of US arms sales to Taiwan. In any case, they are more interested in creating a capability to produce their own modern weapons than in acquiring weapon systems from abroad. Consequently, they can be expected to continue and perhaps to increase their pressure on the United States to loosen further the restrictions on technology export, so that they can obtain the "dual use" technology most urgently needed for modernizing their military production.

Bilateral Relations. Over the next two years the web of relations between the two countries probably will continue to thicken, particularly if economic recovery in the United States by 1984 offers China an expanding market for its exports. More specific problems will crop up, however, as relations expand and some may create significant strains in the relationship. Substantial numbers of defections by government-supported students or scholars in this country, for example, would create strong suspicions on the part of Chinese leaders that the US Government was clandestinely encouraging them, especially if many requested political asylum and were assisted by Taiwan-connected individuals. An appeal for political asylum by one or more of the children of senior Chinese political leaders would strain relations, particularly if they or other defectors joined groups promoting democracy in China, such as the backers of the magazine *China Spring.* Why Deng made a personal appeal to the US Government to return defecting tennis star Hu Na is unclear, but the failure of his appeal cannot help but create

greater suspicion in his mind that such defections are officially encouraged.

We hope that the US Government will sincerely carry out what it has promised and actually, not perfunctorily, reduce its arms sales to Taiwan. . . . The fundamental obstacle to the development of Sino-US relations is the US "Taiwan Relations Act". . . . If the decision-makers in Washington insist on handling the relations between both countries in accordance with this US domestic act, Sino-US relations, instead of being further developed, will certainly face yet another grave crisis.

People's Daily, 17 August 1982

Taiwan. Taiwan will remain the primary obstacle to improvement in US-Chinese relations. Deep-seated suspicions of US long-run intentions toward Taiwan will persist. In addition to watching closely the trend in US arms sales, Chinese leaders will be highly sensitive to any action, however insignificant in itself, that appears to them to lend an official air to US-Taiwan relations.

A Dengist regime is less likely to press for more concessions on Taiwan during this period than an alternative, although a Chinese perception that the United States was not abiding by the commitment to reduce the level of arms sales to Taiwan would produce strong reactions. An attempt to make Taiwan an issue in the 1984 US presidential election cannot be ruled out, but it seems unlikely that Deng would seek another test of strength with the present administration by pressing for more US concessions within the next two years.

The sudden death of Chiang Ching-kuo could produce a succession crisis in Taiwan, new initiatives from Beijing on the unification question, and heightened tension between China and the United States on the Taiwan issue. If Chiang remains in power through the two-year period of this projection, however, domestic developments in Taiwan are unlikely to complicate US-Chinese relations.

The Future—Eight-Year Projection

The 1979-80 honeymoon in US-Chinese relations has passed and will not return. The exaggerated expectations and muting of differences that marked that period will be replaced during the 1983-90 period by a hard-eyed (although not necessarily accurate) assessment of national interests on each side and much tough bargaining. The range of possible improvement or deterioration in the relationship is substantial and the trend difficult to predict, but certain constants will persist.

While we Chinese people value our friendship and cooperation with other countries and people, we value even more our hard-won independence and sovereign rights. No foreign country can expect China to be its vassal, nor can it expect China to swallow any bitter fruit detrimental to China's interests.

Deng Xiaoping speech to 12th Party Congress, 1 September 1982

Chinese World View. Whatever the nature of their leadership, the Chinese will maintain a highly Sino-centric view of the world, and Chinese nationalism will strongly influence their behavior as they strive to achieve an international role for China worthy of its size and past greatness. They probably will continue to see world politics as dominated by superpower rivalry, but with a further decline in the ability of the superpowers to influence or dominate other countries. Their relations with each superpower will contain contradictions. Chinese diplomacy is likely to become more skillful and sophisticated as China's leaders become more experienced in managing such contradictions and advancing Chinese interests from an independent stance.

The US-Chinese-Soviet Triangle. In 1990, China will still be much weaker militarily than the Soviet Union or the United States; indeed, the accelerated arms race, even if checked in some areas by arms control agreements, will probably widen the gap between

Chinese military capability and that of the superpowers. China's geopolitical situation will almost certainly cause Chinese leaders to continue to regard the Soviets as the principal threat, although relations with the Soviets may have mellowed and some progress may have been made toward solution of the Afghanistan and Kampuchea problems.

Under such circumstances Chinese leaders will continue to value the putative strategic relationship with the United States and its allies—Japan and the NATO countries. They will want to avoid, however, either the fact or the appearance of being too dependent on the United States strategically. How far they will wish to pursue the relationship will depend on a number of factors: the imminence of the Soviet threat, the consistency and reliability of US opposition to Soviet expansionism, US willingness to contribute to Chinese military capabilities by supplying technology, and the state of the Taiwan issue. Changes in the nature of the Chinese leadership could also affect attitudes toward a strategic relationship with the United States. More ideologically inclined and inward-looking leaders than the Dengists would tend to keep China more distant from the United States, although they would not draw closer to the Soviets either.

Bilateral Relations. If Deng survives beyond the middle of the decade as China's predominant political figure, he should have time to establish his group firmly in control. In that event, either Hu or Zhao probably will emerge as the new leader by the end of the decade. As discussed in the two-year projection, US-Chinese relations will develop further under such leadership than under less pragmatic, less outward-looking leaders.

Under a Dengist leadership, US-Chinese bilateral relations important to Chinese modernization—trade, investment, technology transfer, scientific and technical cooperation, and training of scholars and students in the United States—will continue to expand, probably substantially by the end of the decade, but unevenly. Expansion of US-Chinese relations will be hampered by the built-in constraints that severely impede the Chinese leaders' efforts to instill the efficiency and dynamism needed to modernize a nation of 1 billion people. Such constraints include:

- The difficulty of energizing China's lethargic and ponderous bureaucracy.
- Constantly shifting economic policies, as leaders argue about and experiment with methods of arriving at the proper balance between administrative controls and market forces, centralization and decentralization, military and civilian expenditures, and investment in heavy industry, light industry, and agriculture.
- Continuing pressures to limit contacts with foreigners and the influx of foreign influences, to make China more self-reliant.
- Widespread cynicism, lack of confidence in the party, and the spread of corruption and resort to "backdoor" deals.

Progress probably will be made, but at a pace slower than plans call for—which will hold back the expansion of US-Chinese bilateral relations. Pockets may exist—for example, in offshore oil production—where the bilateral relationship expands much further than in other areas. To the extent that particular areas of bilateral relations expand, however, more concrete problems will arise, and these, if handled insensitively, will sour the tone of the relationship.

Taiwan. Chinese spokesmen are fond of referring to the Taiwan issue as "a cloud over the US-Chinese relationship." The cloud may become darker or lighter during the coming eight years, but it will not go away. It will continue to be the critical issue that must be contained if it is not to damage the relationship.

On three previous occasions China has reached a compromise with the United States on Taiwan, each

time retreating from its maximum demands in order to reach agreement, but serving notice that further US concessions would be demanded in the future. The odds are high that the Chinese will bring pressure on the United States again before eight years are out in an effort to end US arms sales to Taiwan completely or at least to get agreement to a date when Beijing can be certain they will end.

Constraints on Pressing Taiwan Issue. Several factors constrain the Chinese from pushing the Taiwan issue to the point where they must downgrade relations with the United States because of failure to reach agreement. The importance of the strategic relationship as a counter to the Soviet threat would be weakened; bilateral relations important to Chinese modernization might be impaired, despite efforts to insulate them from the effects of the Taiwan dispute; and, to the extent that Americans became disenchanted with the Chinese relationship, support for an independent Taiwan might grow.

Motivations for Pressing Taiwan Issue. Yet it would be a mistake to assume that these constraints will necessarily be decisive to Chinese leaders, who feel that they are morally and legally in the right on the Taiwan issue and that they have broad support around the world. They are suspicious that the United States, despite its promise to respect Chinese sovereignty, is in fact disregarding it in its desire to keep Taiwan separate from China and they believe that the arms supply relationship encourages the Taiwan authorities to reject negotiations with Beijing. It is a frustrating situation, because they know that it is impractical to use force against Taiwan. The emotional content of the issue and its effectiveness as a weapon in Chinese domestic politics can add to pressures to retaliate against the United States despite the cost to Chinese interests. The Chinese broke with the Soviet Union in 1960 over offenses to their national pride, despite the severe damage it did to their economic development and military modernization and in the face of a dangerous level of confrontation with the United States.

Taiwan's Policies. A crisis over Taiwan might arise without being provoked by Beijing's pressures if a political struggle in Taiwan over the succession took a turn in which large numbers of Taiwanese demanded a declaration of independence. The principal leaders in Taiwan today, both mainlander and Taiwanese, are sensitive to that danger and probably will succeed in averting it, but it cannot be ruled out altogether.

The danger of a crisis over Taiwan between the United States and China will be lessened if the island remains politically stable through the period of transition from mainlander leaders to native Taiwanese, which probably will be only partially complete within the coming eight years. Whether or not the United States makes further concessions on arms sales during the period, the authorities on Taiwan are unlikely to be willing to negotiate directly with Beijing on the unification issue. Increases in trade and other forms of intercourse between Taiwan and the mainland that seemed to the Beijing leaders to demonstrate firm adherence to the one-China position and held open the possibility of eventual unification would diminish the risk that Beijing would take strong actions against the United States on the Taiwan issue or shift from conciliatory to coercive policies toward Taiwan itself.